

Message Text

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INFO OCT-01 EUR-12 ISO-00 AF-10 ARA-14 EA-12 NEA-11
AID-05 CIAE-00 COME-00 EB-08 FRB-01 INR-10
NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04
SIL-01 OMB-01 L-03 ABF-01 STR-07 DODE-00 NSCE-00
SSO-00 ICAE-00 INRE-00 /127 W
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FM USMISSION USUN NEW YORK
TO SECSTATE WASHDC IMMEDIATE 1235
INFO USMISSION GENEVA PRIORITY
AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY PARIS PRIORITY

UNCLAS SECTION 1 OF 3 USUN NEW YORK 01859

AMEMBASSY BRUSSELS FOR USEEC

AMEMBASSY PARIS FOR USOECD

E.O. 11652: N/A
TAGS: EFIN, ECON, UN
SUBJECT: UN OVERVIEW COMMITTEE - MEETING OF CONTACT GROUP
ON AGENDA ITEM 2, MAY 6

REF: USUN NEW YORK 1856

1. CONTACT GROUP RECONVENED MEETING IN LATE MORNING
SATURDAY, MAY 6, AFTER A G-77 CAUCUS. DISCUSSION OF AGENDA
ITEM 2 ("TRANSFER OF RESOURCES IN REAL TERMS TO THE
DEVELOPING COUNTRIES") CONTINUED FOLLOWING OUTLINE OF G-77
PAPER AND FOCUSED ON MULTILATERAL FLOWS AND TRADE. RE-
MAINING TOPICS CARRIED OVER TO MEETING MONDAY MORNING,
MAY 8.

2. US (HORMATS) OPENED DISCUSSION ON MULTILATERAL FLOWS
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WITH STATEMENT NOTING US ROLE AS FOUNDER AND STRONG
SUPPORTER OF MULTILATERAL DEVELOPMENT BANKS (MDBS) AND US
SUPPORT FOR REAL GROWTH IN WORLD BANK LENDING COMMITMENTS.
US RECORD ON MDBS WAS OFFERED AS DEMONSTRATION OF US
SUPPORT FOR THEM.

3. SPEAKING FOR EC, DENMARK (HAXHAUSEN) EXPRESSED SUPPORT

FOR MDBS NOTING EC DISBURSEMENT OF 50 PERCENT OF ITS MEMBER'S SHARE OF IDA IV. TWO EC MEMBERS HAVE ALREADY MADE DISBURSEMENTS UNDER IDA V. SUPPORT EXPRESSED FOR WORLD BANK SELECTIVE INCREASE. EC SUGGESTED THAT DISCUSSIONS OF REGIONAL MDBS SHOULD TAKE PLACE IN THE FRAMEWORK OF THESE INSTITUTIONS, NOT IN OVERVIEW.

4. JAMAICA (MILLS), AS SPOKESMAN FOR G-77, WAS ONLY LDC TO SPEAK DURING SATURDAY MEETING, WITH EXCEPTION OF BRIEF CLOSING COMMENT BY PEREZ GUERRERO OF VENEZUELA. JAMAICA JOINED IN PRAISE OF MDBS BUT ASKED FOR MORE SPECIFIC COMMENTS ON THE G-77 PROPOSALS THAN THOSE OF THE US AND EC. ALTHOUGH RECOGNIZING INDEPENDENT NATURE OF MDBS, MILLS SUGGESTED THAT IF SET UP TODAY, THE MDB SYSTEM MIGHT BE STRUCTURED DIFFERENTLY, I.E., TO REFLECT BETTER THE G-77 VIEW OF THE NEEDS OF LDCS.

5. CANADIAN (KINSMAN) REP BEGAN DISCUSSION OF THE SPECIFIC G-77 PROPOSALS DESCRIBING THEM AS "RELEVANT IF INCOMPLETE." HE NOTED THAT 35 PERCENT OF CANADIAN ODA GOES TO MULTILATERAL INSTITUTIONS AND CALLED FOR INCREASED SUPPORT FOR REGIONAL MDBS. HE SUPPORTED AN INCREASE IN THE ROLE OF "PARALLEL FINANCING" TO TAKE ADVANTAGE OF FINANCE BLENDING. ON THE PREDICTABILITY OF CONTRIBUTIONS FOR THE UN SYSTEM'S VOLUNTARY FUNDS, HE EMPHASIZED THE IMPORTANCE OF RETAINING THEIR VOLUNTARY NATURE AND WARNED THAT CON-

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VERTING THEM TO ASSESSED CONTRIBUTIONS WOULD NOT BE HELPFUL. HE SYMPATHIZED WITH UNDP'S CURRENT PLANNING PROBLEMS AND NOTED CANADA'S USE OF INDICATIVE PLANNING BUDGET FIGURES IN FORECASTING FUTURE VOLUNTARY CONTRIBUTIONS TO UNDP.

6. AUSTRIAN REP STATED THAT HE AGREED WITH A NUMBER OF POINTS RAISED IN G-77 PAPER. INDICATING AUSTRIAN SUPPORT FOR MDBS, HE LISTED RECENT CONTRIBUTIONS. HE ADDED THAT LIKE CANADA, AUSTRIA ENGAGED IN INDICATIVE MULTI-YEAR PLANNING FOR THE UN VOLUNTARY CONTRIBUTIONS.

7. HORMATS REENTERED DISCUSSION WITH STATEMENT THAT BROAD US AND G-77 OBJECTIVES RE MDBS WERE SIMILAR. NOTING US APPROPRIATIONS FOR MDBS IN FY 77 (\$1.1 BILLION), FY 78 (\$1.9 BILLION), AND FY 79 PROPOSAL (\$3.5 BILLION), HE INDICATED US CONTINUING SUPPORT IS CLEAR. ALTHOUGH MDB DISBURSEMENTS WERE MUCH LESS THAN TOTAL MDB LOAN COMMITMENTS DUE, INTER ALIA, TO RAPID INCREASE IN OBLIGATIONS AND ABSORPTIVE CAPACITY, HE OBSERVED THAT MDBS HAVE INCREASED REAL RESOURCE TRANSFERS TO LDCS. LOCAL CURRENCY FINANCING WILL INCREASE TO SOME DEGREE WITH GROWING BHN FOCUS OF MDB PROJECTS. APPARENT LOSS OF MDB TRANSFERS THROUGH INFLATION

IS COUNTERED TO SOME DEGREE BY INCORPORATION OF INFLATION PROJECTS IN PROJECT PLANNING PROCEDURES. ON INTEREST SUBSIDY ISSUE, US INDICATED BELIEF THAT AN IBRD/IDA "BLEND" COULD MORE EFFECTIVELY ACHIEVE THE INTEREST TERMS MOST APPROPRIATE FOR EACH LDC. NOTE WAS ALSO MADE OF OTHER INTEREST SUBSIDY SCHEMES SUCH AS DUTCH PROGRAM WHICH IS EXTREMELY COSTLY, ESCALATES DRAMATICALLY, AND IS BEING PHASED OUT. ON MDB REPLENISHMENTS, US REITERATED SUPPORT FOR REAL INCREASE IN LOAN COMMITMENTS OF WORLD BANK AND EXPRESSED SUPPORT FOR ROLE OF IDA.

8. JAPAN (NISHIDA) JOINED LIST OF MDB SUPPORTERS AND NOTED THAT 37 PERCENT OF ITS ODA GOES TO MULTILATERAL

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PROGRAMS. IT ALSO DESCRIBED ITS LEGISLATIVE PROBLEMS IN DEALING WITH MULTI-YEAR COMMITMENTS AND ITS ATTEMPTS TO USE "ESTIMATED CONTRIBUTIONS" IN PROJECTING ITS MDB CONTRIBUTIONS.

9. NORWAY SUPPORTED USE OF ASSESSED CONTRIBUTIONS FOR CURRENTLY VOLUNTARY UN FUNDS. IT NOTED CURRENT "UNEVEN BURDEN SHARING" OF THE FINANCING OF THESE FUNDS. IT ALSO DESCRIBED ITS USE OF INDICATIVE PLANNING FIGURES FOR THESE

FUNDS IN BUDGETARY PLANNING.

10. NETHERLANDS AGREED WITH THE NEED FOR WIDER BURDEN SHARING OF UN FUNDS BUT DID NOT STATE A PREFERENCE FOR A SYSTEM OF ASSESSED CONTRIBUTIONS. THE DUTCH EXPLAINED THE DIFFICULTIES FACED IN THEIR INTEREST SUBSIDY PROGRAM WHICH IS NOW BEING PHASED OUT IN FAVOR OF AN INCREASED DIRECT UNCLASSIFIED

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GRANT ELEMENT IN THEIR ODA. THE INTEREST SUBSIDIES NOW ABSORBED 20 PERCENT OF ODA, AND THE PLAN IS TO BRING THIS DOWN TO ZERO.

11. DENMARK EXPLAINED EC'S MULTILATERAL AID EFFORTS AND NOTED THE WIDE USE OF MULTI-YEAR PLANNING SUCH AS IN THE EUROPEAN DEVELOPMENT FUND AND LOME CONVENTION. THE LATTER INVOLVED \$3.8 BILLION OVER 5 YEARS AND PROVIDED PREDICTABILITY TO LDC MEMBERS. ON MDBS, SEVEN EC MEMBERS HAVE JOINED IDB/FSO WITH 57 PERCENT OF NON-REGIONAL MEMBER CONTRIBUTIONS.

12. JAMAICA RESPONDED FOR G-77 TO STRING OF DEVELOPED COUNTRY SPEAKERS EMPHASIZING AGAIN KEY LDC NEEDS VIS-A-VIS MULTILATERAL INSTITUTIONS: 1) INCREASED VOLUME OF REAL RESOURCE TRANSFERS; 2) GREATER PREDICTABILITY (READ AUTOMATICITY); 3) TERMS AND CONDITIONS MORE CONSONANT WITH LDC NEEDS AND PLANS. ON GENERAL ISSUE OF PREDICTABILITY AND PLANNING, JAMAICAN NOTED THAT WHILE "PLANNED DEVELOPMENT" USED TO BE A "DIRTY WORD" LDCS ARE NOW ENCOURAGED BY DEVELOPED COUNTRIES TO ENGAGE IN SUCH PLANNING. HE ASKED THAT THE MDBS, AND DEVELOPED COUNTRIES GENERALLY, TAKE ACCOUNT OF THE LDCS' NEEDS AND GOALS EXPRESSED IN THESE PLANS AND THEMSELVES USE A "PLANNING APPROACH" IN INSURING NEEDED MULTI-YEAR COMMITMENTS REQUIRED FOR LDCS TO SUCCEED IN THEIR PLANS.

13. HORMATS REQUESTED THAT JAMAICA CLARIFY SPECIFICALLY WHAT THEY MEANT BY MULTILATERAL FINANCE PREDICTABILITY SINCE MDB PROJECT FINANCING ALREADY PROVIDED PREDICTABILITY FOR CAPITAL BUDGET PLANNING AND SINCE UNEXPECTED AND TEMPORARY CURRENT ACCOUNT SHORTFALLS WERE BY DEFINITION UNPREDICTABLE AND COULD BE MET THROUGH EXISTING FACILITIES UNCLASSIFIED

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SPECIFICALLY DESIGNED TO MEET THIS NEED. IN RESPONSE, MILLS STATED THAT PREDICTABILITY ISSUE HERE WAS IN FACT

LIMITED MAINLY TO DONOR FLOWS TO THE MULTILATERAL INSTITUTIONS.

14. DISCUSSION OF TRADE ISSUE WAS BEGUN AS SATURDAY SESSION WAS COMING TO A CLOSE. EC REP QUICKLY RECOUNTED DEVELOPMENT OF GLOBAL TRADING SYSTEM IN POST WW II PERIOD INCLUDING EFFORTS TO ASSIST IN EXPANDING LDC EXPORTS. CURRENTLY 44 PERCENT OF EC IMPORTS COME FROM LDCS WITH A TRADE DEFICIT EXISTING WITH SOME NON-OIL LDCS, AND 35-40 PERCENT OF EC IMPORTS FROM NON-OIL LDCS ARE MANUFACTURED GOODS. EC EMPHASIZED THE IMPORTANCE OF MTN GENERALLY AND SUPPORTS SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCS.

15. CANADIAN REP STATED THAT TRADE IS GENERALLY THE CORE OF THE RESOURCE TRANSFER ISSUE BUT NOT FOR ALL LDCS (I.E., THOSE WITHOUT EXPANDABLE EXPORT SECTORS). HE DESCRIBED US INVITATION TO CONSULT WITH AMB. STRAUSS IN GENEVA AS "IMPORTANT DEVELOPMENT." HE NOTED SEEMING CONTRADICTION BETWEEN GSP AND MTN PRINCIPLES OF UNIVERSALITY AND ULTIMATE FREE TRADE. AS MTN SUCCEEDS IN LOWERING TARIFF MARGINS, POSSIBILITIES FOR FURTHER CUTS THROUGH GSP WILL BE REDUCED. LDC DEMANDS FOR REFORM OF TRADING SYSTEM MUST NOTE THIS DICHOTOMY. IN ADDITION, ROOM MUST BE LEFT FOR PROTECTIVE MEASURES FOR THOSE COUNTRIES IN SITUATIONS WHERE THEY CAN BE PROVEN NECESSARY.

16. JAMAICA RESPONDED ON TRADE ISSUE BY NOTING G-77 DESIRE ULTIMATELY TO ABOLISH ALL PREFERENCES, BUT ONLY WHEN THEY ARE NO LONGER NECESSARY. G-77 WANTS TO USE PREFERENCES TO CREATE CONDITIONS OF EQUITY WHICH WILL MAKE PREFERENCES NO LONGER NECESSARY. INCLUDED IN JAMAICAN COMMENTS WAS REFERENCE TO EC AGRICULTURAL POLICY WHICH DID NOT DRAW EC RESPONSE. PEREZ GUERRERO CONCLUDED MORNING DISCUSSIONS WITH REEMPHASIS OF IMPORTANCE OF TRADE, STATING THAT WITHOUT

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QUITY IN TRADE, THERE CANNOT BE EQUITY ANYWHERE ELSE. HE NOTED THE US OFFER OF MTN CONSULTATIONS AND EXPRESSED HOPE

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THAT OVERVIEW DELIBERATIONS WOULD SPUR PROGRESS ON TRADE
ISSUES IN GATT AND UNCTAD. HE INDICATED THAT THE "CODE
PHASE" OF THE MTNS AFTER JULY WERE PARTICULARLY IMPORTANT
TO THE LDCS. HE LAMENTED THAT NO REAL PROGRESS HAD BEEN
MADE AS YET IN COMMODITY NEGOTIATIONS BUT OBSERVED THAT ALL
COUNTRIES APPEARED COMMITTED TO AN OPERATIVE COMMON FUND.

17. CHAIRMAN JAZAIRY CLOSED SESSION BY NOTING APPARENT
CONSENSUS ON KEY ROLE OF TRADE AND THE MDBS IN THE PROCESS
OF RESOURCE TRANSFER TO LDCS. YOUNG

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